



**CDIAC**

**INVESTING PUBLIC FUNDS**

**BROKER – DEALERS**

**ROLES AND RESPONSIBILITIES**

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# OVERVIEW

- Brokers And Dealers
- Primary Dealers And Regional Dealers
- Institutional Brokers Or Retail Brokers
- Why Is This Important
- What Do I Need?
- Salespersons Day
- What To Expect From A Dealer
- What A Dealer Needs
- Dealing With Your Dealers



# BROKERS AND DEALERS

- Dealer Firms
  - Inventory
  - Underwrite
- Brokers
  - Connect Buyer With Seller
- Some Firms Do Both



# DEALER FIRMS

## ● Primary Dealers

- Currently 21 firms
- Banks And Securities Dealers That Trade With The Federal Reserve Bank Of NY

## ● Regional Dealers

- All Dealer Banks And Firms Not Primaries
- Range In Size And Specialization



# INSTITUTIONAL OR RETAIL BROKERS

## ● Institutional Brokers

- Focus On Institutional Clients

- ❖ Corporations
- ❖ Public Funds
- ❖ Financial Institutions

- Have Direct Access To Trading Desk(s)

## ● Retail Brokers

- Focus On Individuals And Smaller Corporate Entities
- Typically Go Through A Trading Liason



# WHY DOES IT MATTER

- Capitalization
- Compliance
- Underwriting
- Research
- Investment Services
- Approved List
  - Broker/Dealer Questionnaire



# WHAT DO I NEED?

- Coverage - How Many Dealers
  - Portfolio Size
  - Portfolio Complexity
- Experience
  - The Process - On The Job
  - Education – Workshops And Conferences
  - Peers
- Time Available
- Staff Available
- Information Sources



# THE SALESPERSON'S DAY

- Know Your Customers
- Know Your Firms Capabilities
- Know The Market
- Add Value





# WHAT TO EXPECT FROM A DEALER

- Market Information And Knowledge
- Expertise Within Sector
  - Understand Each Entities Special Needs
- Good Back-Up/Operations
  - Trade Confirmation Procedure
- References
- Things To Look Out For
  - Deal Of The Day
  - They're Not Making These Anymore
  - If It's Too Good To Be True - ***IT IS***



# WHAT A DEALER NEEDS

## ● Communication

### ■ Strategy

❖ Passive/Active - Ladder/Barbell - Swaps/Credit Enhancement

### ■ Needs

❖ Sophistication/Call How Often/Type Of Information

### ■ Coverage - Strive For A Partnership

### ■ Investment Policy

## ● Fair Treatment

### ■ Feed Back - Ideas And Coverage

## ● Trust But Verify

### ■ Your Best Interest Is Theirs



# DEALING WITH YOUR DEALERS

- Broker/Dealer Compensation
- Know What You Want
  - Security Types/Cash Flows/Credit Constraints
- Buy What You Need
  - Be Consistent With Your Cash Flow Needs
  - Bond Must Fit Overall Portfolio
- The Concept Of Best Price
  - Moving Markets
  - Fair Price



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